



# NEWS RELEASE

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### ***BLUEPRINT FOR THE FUTURE: SBA ADMINISTRATOR ALVAREZ TELLS CONGRESS SBA BUDGET MEETS NEEDS OF 21<sup>ST</sup> CENTURY SMALL BUSINESSES***

WASHINGTON – “SBA’s proposed budget for fiscal year 2000 is a blueprint for the future that meets the needs of America’s small businesses today and into the 21<sup>st</sup> century,” SBA Administrator Aida Alvarez told Congress, in testimony this week before the Senate Small Business Committee. “With this budget, we will fund record levels of assistance for all small businesses; provide targeted assistance to smaller, newer businesses; and we will do it with fewer staff and lower costs.”

#### **SBA: Helping Small Businesses Succeed**

The FY 2000 budget of \$994.5 million would offer small businesses unprecedented levels of credit and capital:

- \$10.5 billion for the 7(a) general business loan guarantee program, up from \$10 billion in FY 1999;
- \$3.5 billion in SBA-backed loans under the Section 504 Certified Development Company Program; and
- \$2.4 billion—compared to \$1.4 billion in FY 1999—in equity assistance and debenture leverage under the Small Business Investment Company program.

#### **Targeting Smaller, Newer Businesses**

“Since President Clinton took office, the economy has created nearly 18 million new jobs. Yet even during one of the greatest periods of sustained growth in American history, there remain areas of untapped potential,” said the Administrator. “The President’s New Markets Initiative is a public/private partnership designed to boost business opportunities for newer, smaller businesses, and those in distressed rural and urban areas.

“The smaller loans that new businesses need are even harder to get today, due to bank consolidation, centralized processing, credit scoring and other changes in the marketplace. Smaller firms also need smaller venture capital investments.”

The Administrator cited the statements of Federal Reserve Board Chairman Alan Greenspan, who recently told a conference on small business' access to credit and capital:

“In the small business sector, impediments include: lack of market information; difficulties in assessing risk; high transaction costs for small loans; and in rural areas, special challenges associated with geographic distance...(and)...apparent disparities in the access to credit for minority-owned businesses...”

Chairman Greenspan also noted that “credit alone is not the answer...the newer the firm, the greater the importance of the equity base.”

SBA took steps last year to address the need for smaller-sized loans. SBA improved and expanded two loan programs: SBA LowDoc and SBAExpress. These loans feature 36-hour turnaround time, a revolving line of credit, and loan limits up to \$150,000. The number of SBAExpress lenders grew from 17 to over 300. (Note: The average loan size under SBA's flagship 7(a) program is \$229,000).

The FY 2000 budget focuses more attention on the needs of newer, smaller firms:

- Doubling the number of microlenders (loans up to \$25,000)
- Expanding the venture capital network of Small Business Investment Companies, targeting smaller investors and investments in low and moderate income areas
- Introducing New Markets Venture Capital Companies, focusing on smaller sized investments -- \$50,000 to \$300,000 -- as compared to current SBIC investments of \$500,000 to \$1.5million.

### **The Budget**

- The budget requests \$994.5 million for FY 2000, compared to the FY 1999 appropriation of \$820 million.
- The request represents basically level funding for current programs, because of the lack of carryover funding that was available in previous years (due to, for example, fluctuations in the demand for disaster loans).
- Even with essentially level funding, SBA will be able to fund record levels of loan and venture capital assistance, and expanded technical assistance – due to (improvements and streamlining).
- The FY 2000 budget is strong on business development and technical assistance. It calls for \$9 million to support an expanded Women's Business Center network; \$10 million for 20 new One Stop Capital Shops in the recently announced Round II Empowerment Zones; \$5 million for Section 7(j) technical assistance, \$1 million for Native American outreach, and \$615,000 for veterans' outreach.
- Contracting: \$4 million HUBZones; \$500,000 for PRO-Net, the internet-based procurement network; \$2 million to help small business use electronic commerce.

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- The budget includes funding for new legislative requirements (HUBZones is one of them) and the President's New Markets initiative.

### **Financial Soundness**

- For the second year in a row, SBA received a clean opinion – the highest rating – on its financial statements from an independent accounting firm. SBA was the first federal credit agency to receive such an opinion.
- Modernization: The budget includes \$8 million to continue the systems modernization efforts SBA began in FY 1998. When completed, the system will enable SBA to better identify and manage portfolio risk. It also will integrate SBA's system with those of private sector lenders.
- Today, with 19 percent fewer employees than in 1992, SBA relies on the credit decisions of lending partners for about 75 percent of its loan portfolio. The total SBA portfolio has grown to almost 500,000 loans worth around \$40 billion, nearly double that of as little as six years ago, when it consisted of around 260,000 loans worth just over \$20 billion.

**“SBA's FY 2000 budget proposal is far-reaching in its vision,”** said Administrator Alvarez. **“That vision is to continue modernizing the SBA and to reach the untapped potential in America's small business community. A budget without new ideas is a bankrupt budget. This is a visionary budget, a financially prudent budget, and a good budget for America's small business community. It's a good investment for America's economic strength into the 21<sup>st</sup> century.”**

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*The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, the SBA is the nation's largest single financial backer of small businesses. Last year, the SBA offered management and technical assistance to more than one million small business owners. The SBA also plays a major role in the government's disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America's 23 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation's gross domestic product, and are the principal source of new jobs in the U.S. economy.*

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